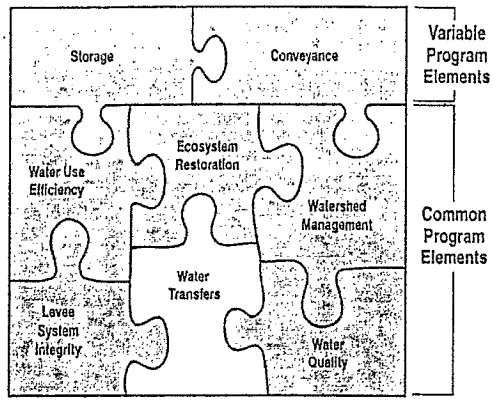
(Excerpt from the September 1998 Draft Revised Phase II Report, p. 60-63)

Water Transfer Program

Water transfers are currently an important part of water management in California and offer the potential to play an even more significant role in the future. Transfers can provide an effective means of moving water between users on a voluntary and compensated basis, as well as a means of providing incentives for water users to implement management practices which will improve the effectiveness of local water management. Transfers can also provide water for environmental purposes to augment instream flows. It is important to note, however, that a water transfer is simply a mechanism to move water and not a source of water.



Generally, past transfers have been successful, but they have raised concerns regarding adverse impacts to other water users, to rural community economies and to the environment. They have also highlighted contradictory interpretations of state law, the lack of reliable ways to transport the transferred water across the Delta, and complicated approval processes. Before the value of water transfers as a management tool can be fully realized, these problems need to be addressed.

The Program's Water Transfer Element proposes a framework of actions, policies, and processes that, collectively, will facilitate water transfers and further development of a statewide water transfer market by addressing these problems. Because water transfers can impact third parties (those not directly involved in the transaction) and/or local groundwater, environmental, or other resource conditions, the framework also includes mechanisms to provide protection from such impacts.

Both the BDAC Water Transfer Work Group and the Transfer Agency Group were instrumental in identifying the issues which constrain the water transfer market. These were sorted into three broad categories to aid in developing resolution:

1. *Environmental, socio-economic, and water resource protections -*

Water Transfer Functions and Benefits

Water transfers have two major water management functions. They either provide a local need with a short-term source of water during drought conditions when other sources of water are constrained, or a long-term augmentation to existing sources of water.

In addition to these primary management functions, transfers can provide benefits such as:

- Help relieve the mismatch between water supply and demand
- Provide a short-term method to move existing supplies from one location to another while other facilities are being constructed or while other technologies or land use policies take affect
- Move water from new facilities (if constructed) to various users throughout the state
- Provide water quality benefits as a result of actions taken to make water available for transfer

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including:
- Third party socio-economic impacts
- Groundwater resource protection
- Instream flow transfers
- Environmental protection in source areas
- Area of origin/watershed priorities
- Rules/guidelines for environmental water transfers

2. *Technical, operational, and administrative rules* - including:
   - Transferrable water and the "no injury rule"
   - Saved or conserved water
   - Operating criteria and/or carriage water requirements
   - Reservoir refill criteria
   - Streamlining the transfer approval process

3. *Wheeling and access to state/federal facilities (especially for cross-Delta transfers)* - including:
   - Reliability of access for transferred water in existing project facilities
   - Priority of transferred water in new facilities
   - Wheeling costs

The water transfer framework recommends the following actions, policies, and process as solutions to these constraints. Being programmatic in nature, it describes these only in enough detail to convey the direction and general purpose of each. It is envisioned that more detail will be added to some aspects of the framework between this public draft and a finalized Programmatic EIR/S. Development of other aspects will necessarily occur during the months and years after the Programmatic EIR/S is finalized. During the next several months, the BDAC Water Transfer Work Group and the Transfer Agency Group will continue to work together to discuss and develop these potential solutions.

- **Establish the California Water Transfers Information Clearinghouse** to ensure that decisions regarding proposed water transfers can be made with all parties in possession of complete and accurate information and to provide information to facilitate assessment of potential third party impacts. The Clearinghouse would not function as a market broker, nor would the Clearinghouse operate as a water bank. The Clearinghouse would:

  – collect and disseminate data and information relating to water transfers and potential transfer impacts
  – perform research using historic data to understand water transfer impacts
  – provide a forum for discussion and comment on proposed transfers

- **Coordination among CALFED agencies to formulate policy,** under their existing authorities, for required water transfer analysis. This would require all transfer proposals which are subject to approval by the SWRCB or that depend on access to state/federal conveyance facilities to include information regarding

potential socio-economic, groundwater, and cumulative impacts at the time of submission for approval by the respective CALFED agency. This is for public information purposes and would be disclosed through the California Water Transfers Information Clearinghouse.

- **Forecast and disclose (DWR and USBR) potential conveyance capacity** to provide transfer proponents more timely forecasts regarding the potential availability of conveyance capacity for cross-Delta water transfers and probabilities of it being available. Forecasts would occur on a monthly basis (in conjunction with water supply forecasts). Forecasts would be based on the best information available to project operators but would not guarantee that the capacity forecasted would be available because of the numerous operating variables including but not limited to: hydrologic conditions, ESA requirements, Delta water quality standards, and physical capacity limitations.

- **CALFED agencies will develop a standardized checklist and analysis procedure** to be followed for each proposed water transfers that undergo review by the SWRCB, DWR or USBR. This would guide transfer proponents through a series of questions, requesting specific information regarding the proposed transfer. This checklist would allow the proponents to prepare all the necessary information prior to submitting it to the SWRCB or other approving agency, greatly reducing the time spent trying to fill information gaps that often remain under the existing transfer approval process.

- **CALFED agencies would work with stakeholder representatives to reduce the conflict between transfer proponents** and the SWRCB, DWR, or USBR regarding what water is deemed transferrable under what conditions. This process would work to define a standardized set of rules on transferable water. Clarification of the CALFED agencies' interpretations for quantifying transferrable water, including potential variations in the accept interpretations for time or locations (i.e., one-year transfers versus multi-year and in-basin versus out-of-basin) would be the key outcome. Results of this effort would be finalized during the initial years of CALFED's Stage 1 implementation timeframe. The details of this interactive forum, including the specific objectives, and the identification of stakeholder representatives, have not been determined.

- **CALFED agencies will continue to work with stakeholder representatives to resolve conflicts over reservoir refill and carriage water criteria.** These efforts will be focused on ensuring that neither water transfers involving releases from stored water nor the transport of water across the Delta cause adverse impacts to other legal users of water. It is feasible that the CALFED agencies will adopt a policy that requires proposed water transferred from storage to include a reservoir refill analysis identifying potential impacts to other legal users of water, and identify appropriate mitigation measures. Clarifying carriage water criteria may be resolved with a longer term process that relates closely to other operational changes being proposed for Delta water management since they can impact the

necessity for carriage water.

- **CALFED agencies will continue to work with stakeholder representatives to adopt methodology to monitor instream transfers** and develop associated tracking measures in conjunction with other CALFED agencies. These actions are directed at ensuring water transferred to the environment is available to meet its stated instream purpose throughout its designated reach. The process will also address opportunities for those buying water for instream purposes to make it available for re-diversion (resale) at given points downstream, if so desired.

- **CALFED agencies will continue to work with stakeholder representatives over the next several months to discuss costs associated with transporting transferred water through state or federal conveyance facilities.** This process should result in an agreed upon set of criteria governing the determination of transport costs such that transfer proponents can factor such costs into transfer proposals early in development phase of a potential water transfer deal.

More detailed information is provided in the *Draft Water Transfer Program Appendix* to the Revised Draft Programmatic EIS/EIR.